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ROMNEY ADMINISTRATION PROMULGATES RULES TO IMPLEMENT FIRST-IN-THE-NATION REGULATION TO LIMIT CARBON DIOXIDE EMISSIONS FROM POWER PLANTS

The Romney Administration today announced a milestone in Massachusetts' first-in-the-nation program to limit greenhouse gases (GHGs) with the creation of a GHG emissions credit trading system that will achieve strict emissions reductions, while providing safeguards to protect ratepayers from spikes in their electric bills.

"This regulation provides real and vital environmental benefits, with a flexibility that is essential in this new and volatile energy market," Gov. Mitt Romney said. "It offers rate-hike protection for consumers and businesses, and perfectly complements my energy plan, which supports efficiency, conservation, and diversifying and increasing the energy supply through the use of renewable wood, hydro and wind power developments."

These regulations were filed today with the Secretary of State's office, and will be officially promulgated on October 6.

Regulations established in 2001 set strict limits on the CO₂ emissions from the six oldest and largest power plants in the state, and required those limits to be met in two phases beginning in 2006. Today's rules establish the criteria by which the power plants can meet emission limits for all GHGs, including CO₂, the most common greenhouse gas. The rule includes criteria by which the power plants can use projects – conducted on or off their sites – that reduce, avoid or sequester GHG emissions to meet their compliance obligations. The projects may be conducted by the facilities themselves or by third parties.

The CO₂ limits are part of the 2001 air quality protection regulation, designed to cut emissions of CO₂, nitrogen oxides, sulfur dioxide and mercury from power plants. The 2001 regulation called for a CO₂ offset program, and today's regulation specifies how the offset program will work. It is expected that, when fully implemented, this regulation will result in the annual reduction of about 2 million tons of CO₂.

The GHG regulation allows power generation companies to implement GHG reductions at their own facilities or fund other reduction projects off-site through a GHG credit program. To stay within their limits, power plants can reduce emissions on-site or purchase emission credits from third parties whose emissions reductions have been certified by MassDEP. Those third party projects could include the capture of combusted landfill gases, sequestration of GHG, or the generation of renewable energy, among others.

The CO₂ and GHG regulations are also consistent with the Governor's long-term energy plan, announced in July, which will produce significant reductions in GHG emissions when fully implemented through energy efficiency projects, conservation and the use of renewable energy resources. Estimates suggest that when the energy plan is fully implemented, the combined results of the plan and the regulation being promulgated today will produce a reduction of 3-6 million tons of GHG per year.

"The Governor's Energy Plan, combined with the CO₂ emissions limit, will produce emission reductions that will make a real difference in both our local air quality and our contribution to global climate change," Environmental Affairs Secretary Robert W. Gollidge, Jr. said. "Massachusetts continues to lead the way forward on environmental protection and promoting technological innovations."

Because the market for GHG credits is just beginning, the GHG regulation contains protections against unexpected and excessive price increases for businesses and consumers.

The regulation implements a two-tiered system of triggers and safety valves. Initially, facilities can conduct offset projects or purchase offsets from projects conducted in northeastern US, which keeps environmental benefits and technological developments closer to Massachusetts. However, if the price of available offsets reaches a calendar year average of \$6.50 per ton of GHG emissions, companies would then be able to shop for offsets anywhere in the world, where cheaper opportunities might be available – thus protecting ratepayers while providing the same environmental benefits.

In the unlikely event that the price of offsets climbs to \$10 per ton – a point that would have an unacceptable economic impact – the power plants can then meet their emissions obligation by paying into a Greenhouse Gas Expendable Trust. The Trust will be used by the state to fund projects achieving the maximum amount of GHG reduction at the lowest price, with a preference for Massachusetts-based reductions.

As a further protection, the final regulations include a Circuit Breaker provision in the first three years of the program, which allows the Commissioner of the Massachusetts Department of Environmental Protection (MassDEP) to expand the geographic scope of projects or allow payments into the GHG Expendable Trust, if credits are unavailable or prices rise unexpectedly. The circuit breaker sunsets on January 1, 2009, after which it is expected that the GHG emission credit market will be more firmly established.

Offset projects must demonstrate a reduction in GHG of at least 5,000 tons per year and can be submitted by any company for credit. The applicant, however, must demonstrate that offsets can be certified by MassDEP.

To view more information on the GHG regulations and the response-to-comments document, click on the following MassDEP website at:

<http://mass.gov/dep/air/laws/regulati.htm#ghg>

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